

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 SAB-02 L-03 SS-15 NSCE-00 EB-08
OMB-01 TRSE-00 SSO-00 PM-05 SP-02 DODE-00 INR-10
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FM SECSTATE WASHDC
TO AMEMBASSY PANAMA IMMEDIATE

C O N F I D E N T I A L STATE 076562

FOR THE AMBASSADOR

E.O. 11652: GDS

TAGS: PEPR, PN

SUBJECT: PANAMANIAN DEBTS TO PANAMA CANAL COMPANY AND CANAL
ZONE GOVERNMENT

1. THE ISSUE OF PANAMA'S OUTSTANDING DEBTS FOR WATER PROCESSING COSTS, GARBAGE DISPOSAL, PALO SECO LEPROSARIUM AND MISCELLANEOUS CATEGORIES HAS COME UP IN THE COURSE OF THE SENATE'S DEBATE AND IS EXPECTED TO BE GIVEN RENEWED ATTENTION AFTER THE SENATE CONVENES ON APRIL 3. WE MAY EXPECT OPPOSITION CRITICISM OF PANAMANIAN INACTION, AND WILL BE OPEN TO CHARGES THAT WE HAVE NOT RECENTLY TRIED TO RESOLVE PROBLEM. IT WILL THEREFORE BE DIFFICULT TO AVOID CONSIDERATION OF A RESERVATION OR UNDERSTANDING, OR POSSIBLY EVEN AN AMENDMENT, WHICH WOULD REQUIRE AMOUNT OF OUTSTANDING DEBT TO BE DEDUCTED FROM PROPOSED PAYMENTS TO
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PANAMA UNDER THE TREATY.

2. LATEST FIGURES WE HAVE THROUGH JANUARY 1978 SHOW TOTAL DEBT TO COMPANY STANDS AT JUST OVER \$4.1 MILLION AND DEBT TO CANAL ZONE GOVERNMENT AT JUST OVER \$5 MILLION WITH A TOTAL FOR BOTH OF \$9.18 MILLION. MANY OF THESE DEBTS DATE FROM 1959. PART OF WATER PROCESSING DEBT IS IN DISPUTE

BECAUSE OF PANAMANIAN NON-ACCEPTANCE OF EXCESS DELIVERY SURCHARGE FOR CERTAIN PERIODS.

3. WE HOPE PANAMANIAN WILL RECOGNIZE THAT IT IS IN THEIR INTEREST TO APPROACH THIS PROBLEM CONSTRUCTIVELY. AS FIRST PRIORITY WE BELIEVE THERE SHOULD BE A FIRM REPAYMENT SCHEDULE FOR THOSE DEBTS NOT IN DISPUTE. AS A NEXT STEP THERE SHOULD BE AN AGREEMENT THAT THE DISPUTED DEBTS BE SUBMITTED DIRECTLY TO ARBITRATION -- PERHAPS THROUGH THE INTER-AMERICAN ARBITRATION GROUP -- OR SUBMITTED TO ARBITRATION AFTER FURTHER DISCUSSION IF THE TWO SIDES FAIL TO REACH AGREEMENT. AT THE VERY LEAST IT WOULD BE OF SOME HELP TO BE ABLE TO SAY THAT THE MATTER IS UNDER ACTIVE CONSIDERATION BY BOTH GOVERNMENTS. THESE ARE ALL POSSIBLE ACTIONS -- AND THERE MAY BE OTHERS -- ON ONE OR MORE OF WHICH WE BELIEVE WE SHOULD SHOW SOME FORWARD MOVEMENT BY THE END OF NEXT WEEK.

4. WOULD APPRECIATE YOUR COMMENTS AND THOUGHTS ON THE ABOVE AS WELL AS YOUR SUGGESTIONS ON ANY OTHER WAY THIS ISSUE CAN BE APPROACHED AND MOVED TOWARD RESOLUTION WITHIN THE BRIEF PERIOD OF TIME WE HAVE. VANCE

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